

Course Name: Organizational Behaviour: Individual Dynamics in Organization

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Week – 03

Lecture – 13

Lecture 13: Perception and decision making

Welcome back to the course on Organizational Behavior, Individual Dynamics in Organization. In the previous lecture we looked into what is perception, we looked into certain perceptual biases, perceptual error and how to tackle with those perception perceptual errors and biases. So today we will try to link perception and decision making. Yet again another important topic in terms of perception and very effective and very much required topic in your organizational context.

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So we start with the theme today, we seek out information that reaffirms our past choices, and we discount information that contradicts them. This is very critical if you just take 10 seconds of your time and think on this. We seek out information that reaffirms our past choices and we discount information that contradicts them is what we always do. So, this would be the theme of today's lecture and we straight away move to what do you mean by perception and individual decision making.

We look into individual decision making as being a part of a critical part of individual behavior per se. The way individuals make decisions and the quality of the choices are largely influenced by the perception and this is mainly with respect to perception shapes information input. There is no doubt that perception shapes information input. If you have gone through the previous lecture, you would understand that what are the different aspects or what are the different ways in which perception shapes information input. There could be that you have already made a perception about a particular individual.

So whatever be the information you are getting you may tend to be dismissive of that or there are situations where you would like to give that particular individual a second chance. So, you might be seeking in more information. So, perception per se shapes information input.

The second is subjective interpretation. Perception gives you a subjective interpretation. The objectivity is quite low. When you are looking into perception it is based on the available information and we look into aspects like bounded rationality etc. associated with that very soon. But we tend to understand that subjective interpretation is vital is the key outcome when you are looking into perception and individual decision making. The third is biases and heuristics.

Heuristics means mental models. We are looking in terms of mental models. We do not have the whole set of information to play around. The best decision making is when you are making an informed decision making and when you are making an informed decision making the available information should be maximum or should be endless. So, whatever be the available information about a certain thing the better your decision is.

But in the available context within the organizational context with the available information it is always difficult to make a decision. So, this is where you tend to go ahead with heuristic and this is where you tend to make biases and errors. The fourth could be decision making filters could be put in because you might not be seeing things properly. Your judgment might be clouded because you have already made a perception about certain people. You have already made a perception about certain things. You have already made a perception about the organizational climate per se or as a whole.

So those situations actually there are certain filters in terms of decision making that are coming up. And the final one would be feedback loop. When we are looking into feedback loop this is yet again another important aspect when we link perception and individual decision making. Perception if it has to be changed or perception if it has to be validated it has to happen through a feedback loop and if the feedback loop is not properly communicating what is to be sought then it is a difficult case for you as an individual.

Now let us look into decision making as a reaction to problem. What is a problem? Many a time we tend to misconstrue the word problem. A problem literally means a discrepancy between the current state of affairs and some desired states. Let us say you have a problem. What could be a problem?

Your problem could be that you are feeling hot or you are sweaty or you are not feeling comfortable that could be a problem, physiological but that could be a problem. The problem here is that there is a discrepancy between the current state of affair and some desired state. You wanted to be in a cool, cozy environment. You might aspiring to be in an air-conditioned environment. So that is a desired state. But the present state is ultimately you are standing in hot sun. So, this is a discrepancy.

So, any problem, you look into any problem. Let us look, let us understand in terms of problem of a war, something that is going on between Israel and Palestine. So, what is the problem? The desired state is a peaceful coexistence. If the desired state is that, the discrepancy between actually what is happening and what is to be desired, this is a problem.

So any problem be it very small as being sweating or being not in a favorable air-conditioned environment to even to the extent of war, thus the whole, whole paradigm or the whole spectrum of events or problems could be defined by a discrepancy. It is a discrepancy between the current state and the existing state. Based on that, we have certain points to consider. Most problems are subtle and has to be understood. Many a time you do not know what the problem is.

Let us say the car is having some issues. So, we do not know. A mechanic needs to check the car and it is unfortunate that mechanic cannot come all the way along. So, you tow the car. So, this is something, the problem is quite visible that there is some problem with the car. But what exactly is the problem with the car, we are not aware of. So that is bit subtle. So, most of times, let us look into organizational context. In a psychological framework, every single individual will be facing one or the other problem every day. So, what are the problems that have to be first understood? Because that is subtle, it adds on to your effort of understanding the problem.

The second point would be, they do not always come with a tag saying it is a problem. Sometimes you see disguised issues. Sometimes you see disguised problems. Think of being deprived of opportunity because of favoritism at workplace. There could be situations where you are the most talented in the block. You are the most qualified in the block. But still you are not considered when promotion comes in. Or there are situations when you are being sidelined for somebody who is favorite of his or her boss. So, this could be such situations where the problems are there. But it is so subtle that it is difficult to actually identify and understand what exactly the problem is.

Another important aspect could be, one person's problem can be other person's satisfactory state of affairs. Let us understand this from a workload perspective. Let us say there are couple of people involved in a group, involved in a segment of organization. Then if the load, workload has to be equitably distributed, there could be a situation that somebody is in a very low spectrum. He or she might be working in terms of let us say 20%. Another person could be working in terms of the 80% of the load. So, if we have to make a parity between two of these people, let us say person A who is taking only 20% of the load and person B who is taking 80% of the workload of the entire group and if

there is a parity that has to be brought in, then some or the other way you have to bring both of them at 50%.

In that particular case, though B's problem is solved, A is unsatisfactory, A is not getting satisfied with the solution. Rather the problem is created in the mind of A when it is solved in the mind of B. So, one person's problem can be other person's satisfactory state of affairs.

Every decision requires interpretation in evaluation of the available information. So, this is something which is quite relevant. So, whenever you are talking about interpretation, when you are talking about decision, when you are talking about evaluation and interpretation of decision, information is vital. The availability and the extent of information is vital. Now let us quickly look into a small situational analysis of Arvind Eye Care Hospital, facilitating faster information processing.

You will see that how effectively the problems being identified or how smooth the processes are streamlined. Arvind Hospital Madurai attracts the elite and provides much needed medical service to the poorest of the poor. The Arvind Eye Care System established in 1976 is the largest and most productive eye care facility in the world. For example, in year 2007-08, about 2.4 million persons received outpatient care and over 2,85,000 underwent eye surgeries at Arvind hospitals at different locations of Madurai, Theni, Tirunelveli, Coimbatore and Puducherry.

Most people are overwhelmed as they enter the huge hospital. Some are unable to read the signs written in Tamil while others feel equally bewildered at the size, scale and complexity of the patient screening process. The hospital has trained floor attendants and counselors in color-coded uniforms to ensure that they are distinct from the visitors. The personnel are trained to aid the transition of a patient from entering into the hospital to the doctor. They help them through paperwork and assuage their anxiety.

They ensure that when the patient reaches the doctor's chamber, the doctor-patient conversation is easy and smooth with the patient in an easy frame of mind without being agitated or overwhelmed. So basically, the whole situation talks about how effectively the problems are solved if the entire process is streamlined. If the whole process or the system is so streamlined, then there could be situations where the problems are not emanating. Now let's look into decision making in organization. Many a time we look and hear about topics like heuristics.

Heuristics mean mental model. Heuristics are certain mental model whereby you follow them and get to something which you are otherwise not critically aware of. Let's look into decision making in organization. The first and the foremost aspect is incomplete

information. When you are looking into any organizational context, it is very hard to understand that all the set of available information is provided at the particular situation. When you are conducting a meeting, when you are having certain decision to be taken, sometimes the decisions are impromptu, the decisions are critical and have to be taken then and there.

The set of information is not exhaustive. So, there is always a problem of incomplete information. The second could be emotional influence. There could be situations where the manager is emotionally influenced. There could be situations where the target itself is having an emotional connect with the entire decision-making process. So, such decisions could be biased. There could be cognitive biases. We have looked into cognitive biases in some of the previous lectures and if you may recollect, we will see that, we observe that how cognitive biases affect your actual decision-making process. We will look into that in detail in some of the coming lectures also. There are complex preferences. Complex preferences means you have to look into different available options.

Let us say there are different options A, B, C, D and you have to match these options with the available resources. But there could be situations where let us say 1, 2, 3, 4, 5 are the individuals and A, B, C, D, E is a task that has to be allotted. So, there could be situations where there is a mismatch between the talent available or the resource available with the expected outcome or the expected process. So, this mismatch would create or deliver or motivate you to create situations of complex preferences. Now complex preferences may tend to solve issue at one hand but it is going to raise issue at another hand.

Similar to what I have already given you an example of the parity. When you are trying to solve at one end there could be a possibility that the solution is creating a problem at the other end. So complex preferences is yet again another issue that comes up when we are discussing decision making in organization.

And the fifth one is uncertainty and risk. And you are looking into uncertainty and risk. Every single organization need not be start-up. It could be any single organization it always works under the pretense that there is certain level of uncertainty associated every moment in time. So basically, we are looking into the risk that is involved with the decision making. The way the organization committee or the individual who is at the helm or who is supposedly going to make the decision should consider the uncertainty and the risk associated with those decisions within the organization.

Now let us look into the decision making in organization and the rational model. What are the steps included in rational model? When you are talking about the rational model the best decision maker is rational and makes consistent value maximizing choices within

specified constraints. So, you are given a situation where there are lot of specified constraints. You might have constraints in terms of resources. You might have constraints in terms of time. You might have constraints in terms of your available investments.

So all aspects have to be taken into consideration. And with those constraints in picture, you have to try to maximize value to the people around you, to the stakeholders of the organization, to all the near and dear ones of the organization and that would be termed as the best rational decision.

Let us look into the rational model. Let us see how the rational model works. First and the foremost one you have to define the problem and here I would like you to remind that there are situations when the problem itself is subtle, when there are situations when the problem itself is not clear.

Two, let us look into identifying the decision criteria. You have identified the problem. There could be a problem of let us say constrained in resources. There could be a problem in supply chain. There could be a problem in terms of the decision making in marketing channels or omni channels. There could be problem with respect to the human resource constraint. There could be problem in terms of changing international market. There could be problem in terms of changing international currency values or the crude prices, so problems could be many. But what are the decision criteria, what are the important criteria you have to maintain while making a decision?

The third important aspect is to allocate weights to the criteria. Let's say you are a multinational corporation, you have to take into consideration that you have offices, your stakeholders are there in Europe, your stakeholders are there in Australia but not that many in US. So, in such a situation you have to allot weight in such a way that more focus is going in Europe and Australia rather than in US. So, this will be the third most important process where you allocate weight to the particular criteria.

The fourth one is to develop the alternatives. Every single decision-making problem becomes relevant from point 4. You as an important decision maker, the criticality, the importance of the decision comes with your ability in creating alternatives. And creating alternatives is giving a new dimension to the problem or finding out an alternate solution to the problem. So, if you are given lot of options, if you are creating an environment where there are more options for your solution to come up then you are a better decision maker. So basically, when you are trying to develop the alternatives, you are trying to raise the standard of your decision by certain notch.

Another important aspect or the fifth important aspect would be to evaluate the alternatives. Once you have developed the alternatives it is only natural that you have to evaluate the alternative and finally the sixth and the most important step is select the best

alternative. If you have read through the literature of negotiation and conflict management you will appreciate that when there is a set negotiation that is happening because every single meeting, every single decision, every single process within the organization I would like to ascribe that to a negotiation process. Every single negotiation will have a BATNA, best alternative to the negotiated agreement. So similarly, every single decision making within the organization through the rational model should have different alternatives. These alternatives should be examined critically. This alternative should be weighed, traded off against one against another. From that analysis you have to look into the best alternative that is best suited for best number of people or the maximum number of the people within the organization.

Now in reality this was theory, in reality decision making in organization is little bit different specifically when things are working under bounded rationality. When things are working under bounded rationality, bounded rationality is a process of making decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

It is nothing but what we want is optimization. What we do is satisficing and what we need is simplified models. In other sense that I would try to take an example and I will try to explain this. When we are going to take a decision the available alternative or available information is always limited. Please understand that every single context be how well researched, how detailed the organization is. There could be different studies and surveys and results that are in front of you in the table while making a decision.

Those reports, those survey results, whatever information will obviously embellish your decision no doubt about it. But that said there is a certain limitation whereby the information availability can extend to. There is a certain limitation where the information could not be exhaustive. There could be some information that is always elusive, there is some information that is always not available within that available ambit of the information available within that ambit if you are supposedly, if you are being motivated or if you are being asked to make a decision that is the bounded rationality. A process of making decision by constructing simplified models in that particular case you do not have the entirety, you do not have the entire structure to be built.

So you make a simplified model with the available information, with the essential features from the problems without capturing maybe all of their complexity. You want to find out the best possible solution at that point with the available resources. So, you tend to make a simplified model and try to optimize, try to understand it, try to satisfies it and try to generate simplified models to solve the solution.

If you need to buy a laptop next week, you tend to look into all the available pros and cons of the different models existing. You tend to see into the price specifications, you tend to trade off with the available information, what you want, what you tend to optimize and what you finally are satisfied with. Those particular thing you tend to make a finally a mental model like this is your amount, this is the budget you can go for, this is at least the available specification you want, this is at least the available warranty you want, this is the available brand value you need with the particular brand. So, with all those constraints set in a box, if you are getting a particular laptop that would be your best decision. So that is bounded rationality.

Intuition is yet again another process of decision making but is always considered much inferior to something like informed decision making. Intuition or intuitive decision making is certainly an unconscious process created out of distilled experience. So, intuition please do not understand or please do not be of the wrong notion that intuition comes out like that. Intuition is gut feeling; I agree with that but that gut feeling comes out with a certain level of distilled experience earlier considered to be the least appropriate or least rational way. It links between disparate process of information. It isn't necessarily wrong because it comes through experience. You have seen that particular situation has warranted this solution or there are options that could give solutions to that.

You have seen through your experience or you have observed that others are doing it or others have done it through your experience. It shouldn't but lead to superstition. It is not like it is the law. If you have done, if your gut says okay that is a way of decision making.

It is unquantifiable, no doubt about it. It could supplement, if it could supplement with the necessary evidence. In the initial lectures if you recollect, I have told that organizational behavior management, OBM as a discipline generally is backing or is thriving with respect to not only the systematic approach but also evidence-based management and when this evidence-based management essentially the scientific evidence-based management coupled with your intuition, coupled with your gut feeling gives you a better decision. So, intuition alone is not a better way of decision making but it is a significant way of decision making and if it could be supplemented with certain level of scientific evidence then that would be the perfect way to go ahead with the decision-making process.

Now let us look in detail about different biases and error when we come to decision making situation very quickly. The first one is overconfidence bias. As the name suggests, overconfidence bias is all about certain internal factors being given a preference over other factors. For example, a part of the group, let us say the cream of the workforce has been made into a particular group to make a decision on a particular situation. So, there is a certain overconfidence that is within the group that we are the best of the best,

we are the best of the lot. So that whatever decision if you are making a very inferior or stupid decision also people within the group tend to feel that that is the most common or most critical or the most important decision that are the most best decision that has come up as a result of deliberation.

So this overconfidence bias could be an error in decision making. This overconfidence bias could make you to decide in a wrong way because you tend to feel that all the set of people are right, you also feel that you are also whatever you are telling are right. So, whatever is the scheme of things that you propose is also right because it is an outcome of the entire group which seemingly which looks that the outcome is right. So, overconfidence bias is one such type of decision-making error.

The second is anchoring bias. It is mainly related to the primary information that is available something like the primacy effect. When you are given certain information about a particular context you are being anchored to you are just holding on to that particular information. Additional information has come on, additional information has come in which can give you a different opinion, which can give you a different idea about the whole concept but still you are not ready to take it in that way. You are not ready to accept it rather you are trying to cover it up.

Let us look into a situation maybe couple of years before when we were really under the COVID-19 problem. Most of the deaths that have happened mainly even happened with suicides, mental depressions, road accidents or other sort of accidents but any death that has happened we tend to associate that or relate it to COVID. So basically, that is an anchoring bias with the initial information available we tend to relate it with the available information which is anchoring bias.

The third one is confirmation bias. Confirmation bias is more about the group characteristic. The group thinks that most of the people are intelligent they tend to confirm to a particular thing then we are going with the flow. The confirmation bias is also riskier because there might be certain bits of information that is neglected there, certain critical bits of information that is overseen that is certain critical bits of information that is neglected or undermined. Such situations also create a barrier or a decision-making hindrance.

The fourth is availability bias. Many a time you feel that the information critically is not available. The critical information that has to be there to make an effective decision is not available. So, you tend to make a decision with the available information. So, this leads to availability bias. Sometimes it happens with respect to the resources, sometimes it happens with respect to the available conditions of the organization. So, the decision making is clearly guided by availability bias in such situations.

Another aspect, the fifth aspect is escalation of commitment. This is very critical. If your initial thought process or initial bet is on something you tend to hold on to that even after understanding that you are losing the game.

In other words let us look into a situation where you have invested in a particular share in stock market. You have understood that no more the share is going to give you the desired returns. In return what is happening is the share is consistently going down. The scrip is consistently going down. Rather than giving you return it is giving you more and more losses. But the very fact that it was a high return share and that is the reason, that is a very basic reason that you invested you are trying to hold on to that particular share. This is escalation of commitment. You are trying to hold on to a particular information or piece of information or a decision because of the fact that there is escalation of commitment.

The sixth aspect is randomness error. The sixth aspect is randomness error. Randomness error can be attributed to the decisions being made because of random event. Let us look into situations where you do not make a decision on Friday the 13th. That is a random error that you are making because you had a experience which was told by somebody that any decision taken on the 13th of Friday would be a bad decision. So ultimately when there is a coincidence, when there is a 13th that is coinciding with a Friday you tend to not make a decision. Similarly, you tend to have a superstition that you are going through a road and black cat crosses the road. This is a most common superstition that is there in our society that would lead you to make a problem or make a decision which is not that is required or that is desirable. You tend to go back and not go to your work or go to the office or go to whatever you are otherwise planning to do. So, this is a randomness error caused by random events.

The seventh aspect is risk aversion. Risk aversion is basically you might be in an environment which looks into different possibilities and the best possible outcome or the best possible decision would be a decision that would lead you to take greater risk. But because of the risk aversion you are making an error in decision making. You do not want to be known as that risk taker. You do not want to venture into that arena which you are not aware of. So that risk aversion would inherently lead you to an error in your decision making.

And finally, hindsight bias. Hindsight bias is quite common especially in situations where you must have observed that many a time people say that oh, I already knew that that is going to happen or seeing an outcome of a particular match.

I was always aware that this particular team is going to win. This is insight bias. Many a time people tend to appreciate rather over appreciate their idea or their talent to have an

understanding of the decision after the event has occurred. So, hindsight bias is very dangerous when it comes to organization. It leads to a decrease in productivity. It leads to unwarranted discussions within the organization where you will simply claim your superiority when others think otherwise.

So these are some of the biases and errors in decision making processes.

Let us quickly look into an application of these bias and errors in decision making specific to confirmation bias.

Confirmation bias can be observed when a manager is evaluating a team member's performance. Let us say the manager has preconceived belief that the team member is not capable of handling complex projects. When reviewing the team member's recent work, they may unconsciously seek out and focus on any mistakes or instances where the team member struggled with complexity while ignoring or downplaying successful outcomes.

This bias can lead the manager to confirm their initial belief about the employee's abilities potentially hindering the employee's growth and opportunities within the organization. It highlights the importance of objective and unbiased performance assessments to ensure fair treatment and development of all.

So basically, when you look into such problems, the constraint is that you are not making a fair decision, fair to all. Now let us look into some factors where you are trying to reduce biases and errors. First and the foremost, focus on the goal. If the entire focus is particularly on decision, on goals, on objectives, then you are not wavering, then you are not being sidelined, then you are not moving aside. Whatever be the available information, the objectivity will not be jeopardized. The objectivity will not be getting the backseat. The objectivity would be getting the main seat. So, the focus on goals is the most primary important thing.

Second is look for information that disconfirms your belief. Many a time to prevent your energy, to conserve your energy, to fall in line, to make easy decisions, to make quick decisions, to make convenient decisions, what you do is you tend to believe something and you tend to validate that something with the available information.

But always, always look for information that disconfirms your belief. That is the best way to go ahead? You look into information that disconfirms your belief. Don't try to create meaning out of very random events. As I have already mentioned in randomness error, you don't tend to go ahead of or go with those situations which can create random error.

And finally, every decision is as good as the options it is available. So, increase your options. So, when we are looking into perception and decision making, the most

important thing is the availability of information and two, how it is being used. Many a time we see that there are two deficiencies that happen with every decision. One is the decision making is affected by the lack of availability of informed decisions. The decisions are, the information is not available. Many a time we see that the information is not available and you tend to make a quick decision which can become faulty. Always try to get as much as information as possible.

And the second important aspect is how you use the information. So basically, there might be some information which is going against your belief. There might be some information which is going against your intuition, going against your gut feeling. Try to confirm to those information. Try to check with those information. Please don't try to go ahead with only those information, only those pieces of information which are in alignment with what you think was the fact.

Because there are situations in which you may get it wrong. There are situations in which you can see that there is a striking difference that can happen if you tend to absorb information which is more in line with what you focus or what you want or what is good for the organization. Always remember, keep the organization in the forefront.

Keep the organization in the forefront and keep all the decisions, keep all the information at your disposal. That will make sure that you get more options and more the options better your decision.

That is all from today's class. Take good care. See you in the next class. Till then take care. Good bye.